

FINAL BILL REPORT

HB 1287

C 503 L 09
Synopsis as Enacted

Brief Description: Concerning sales and use tax exemptions in respect to aircraft used in intrastate commuter operations.

Sponsors: Representatives Morris, Bailey, Ericks, Hinkle, Sullivan and Priest.

House Committee on Finance
Senate Committee on Ways & Means

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes are applied to the value of most tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3 percent, depending on the location. The average local tax rate is 2.3, for an average combined state and local tax rate of 8.8 percent.

Sales of airplanes to the federal government and airplanes used in interstate or foreign commerce are exempt from sales and use taxes. Sales of repair and related services for these aircraft are also exempt from sales and use taxes.

Federal law exempts airlines that do not utilize large aircraft in air transportation from a number of regulatory requirements. These airlines are referred to as commuter air carriers. Under federal law, a large aircraft is defined as an aircraft designed to have a maximum passenger capacity of more than 60 persons or a maximum payload capacity of more than 18,000 pounds.

Summary:

The sale of a small airplane to a commuter air carrier is exempt from sales and use tax. The sale of repair and related services for these small aircrafts is also exempt from sales and use tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Votes on Final Passage:

House	92	4
Senate	47	2

Effective: July 26, 2009